

File Number M/001/027

Effective Date Aug 4, 1997

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

*This Contract
Replaced.
Returned this
original to
operator 3-9-00
JB*

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)	<u>M/001/027</u>
(Mineral Mined)	<u>Perlite</u>
"MINE LOCATION":	
(Name of Mine)	<u>Pearl Queen Perlite Mine</u>
(Description)	<u>SE 1/2 Section 2 R9W, T27S</u>
	<u>SLBM, Beaver County, Utah</u>
	<u>Approximately 12.5 miles NE of Milford</u>
"DISTURBED AREA":	
(Disturbed Acres)	<u>10 total acres</u>
(Legal Description)	<u>(refer to Attachment "A")</u>
"OPERATOR":	
(Company or Name)	<u>Pearl Queen Perlite Corporation</u>
(Address)	<u>533 South Industrial Loop Road</u>
	<u>PO Box 490</u>
	<u>Milford, Utah 84751</u>
(Phone)	<u>(801) 387-2100 phone (801) 387-2403 (fax)</u>

"OPERATOR'S REGISTERED AGENT":

(Name)

Daniel Gatten - Project Coordinator

(Address)

Box 241

Minersville, UT 84752

(Phone)

(801) 387-2100 work (801) 386-1413 (home)

"OPERATOR'S OFFICER(S)":

Tora M. Gatten, Majority Share-holder

Director & Treasurer

O. Jay Gatten, President & C.E.O.

Daniel Gatten, Project Coordinator

"SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Key Bank National Association

"SURETY AMOUNT":

(Escalated Dollars)

\$36,300

"ESCALATION YEAR":

2002

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Pearl Queen Perlite Corporation the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/001/027 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated February 7, 1997, and the original Reclamation Plan dated February 7, 1997. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance

with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the

parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

Pearl Queen Perlite Corporation
Operator Name

By: O. Jay Gatten, President & CEO
Authorized Officer (Typed or Printed)

O Jay Gatten
Authorized Officer's Signature

6/9/97
Date

=====

SO AGREED this 30th day of July, 1997

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY Dave D. Lauriski
Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By


James W. Carter, Director

Date

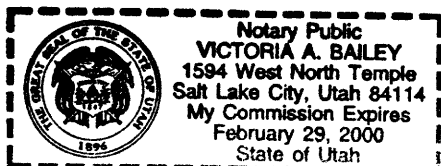
8/4/97

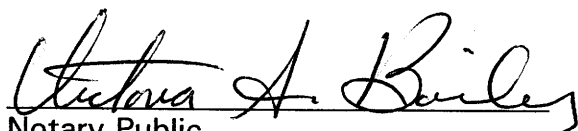
STATE OF UTAH)

) ss:

COUNTY OF SALT LAKE)

On the 4th day of August, 1997, personally appeared before me JAMES W. CARTER, who being duly sworn did say that he/~~she~~, the said James W. Carter is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/~~she~~ duly acknowledged to me that he/~~she~~ executed the foregoing document by authority of law on behalf of the State of Utah.




Notary Public
Residing at: SALT LAKE CITY, UTAH

FEBRUARY 29, 2000
My Commission Expires:

ATTACHMENT "A"

Pearl Queen Perlite Corporation
Operator

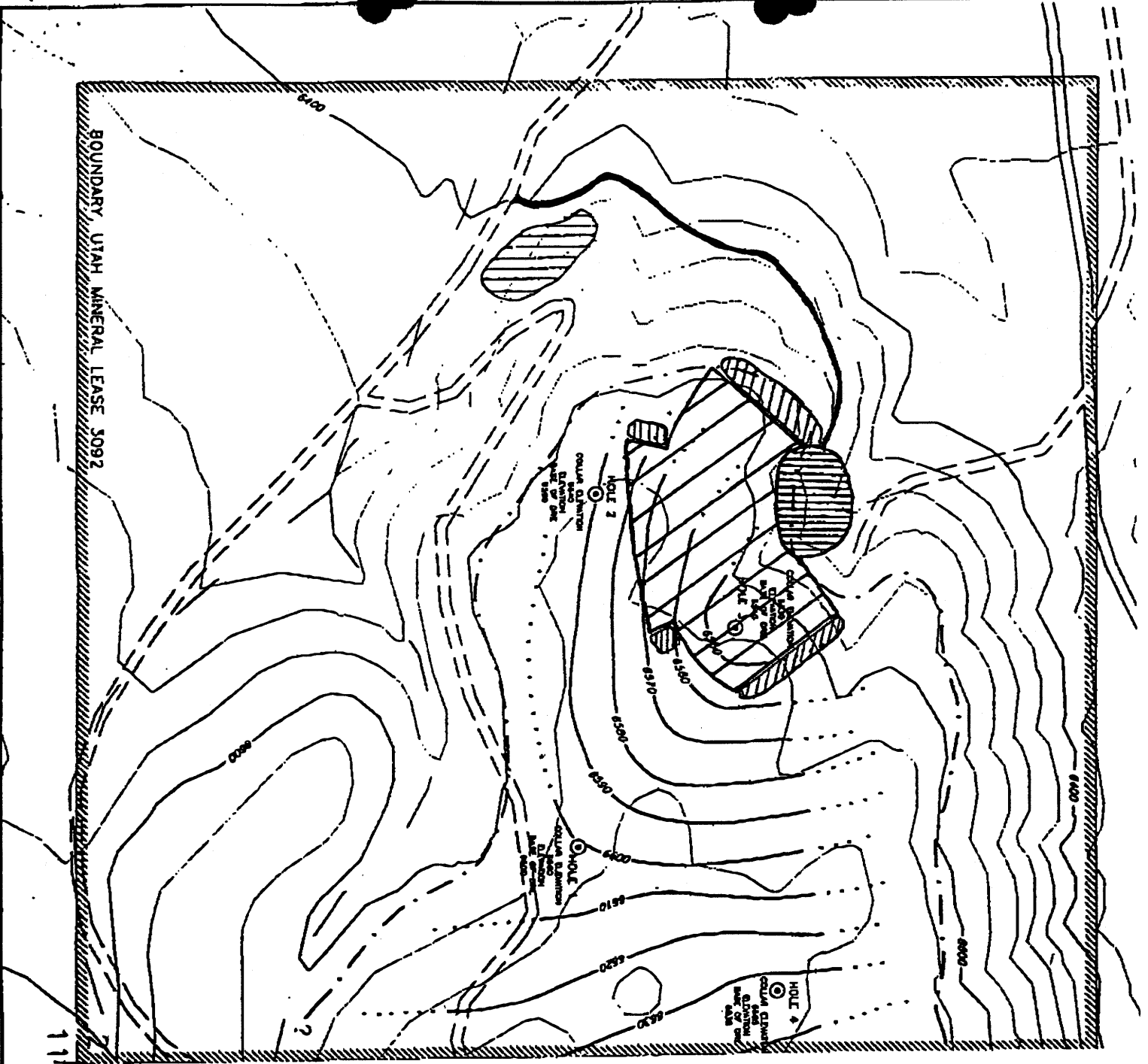
Pearl Queen Perlite
Mine Name

M/001/027
Permit Number

Beaver County, Utah

The legal description of lands to be disturbed is:

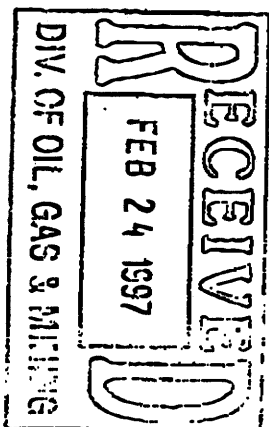
That portion of SE 1/4 of Section 2
Township 27 South, Range 9 West, Salt Lake Based Meridian
Beaver County, Utah



APPENDIX "A"

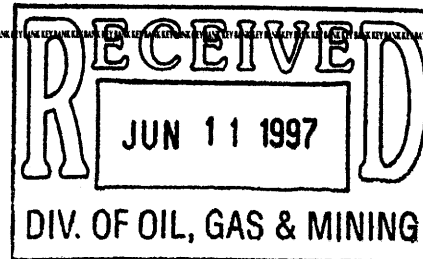
Pearl Queen Perlite Corporation
Map of Disturbed Surface Areas

(Years 1-5)



LEGEND OF MAP	
Crusher Pad/ Waste Rock Disposal Site	
Mine Access Road	
Mine Area (Years 1-5)	
Soil Stockpiles	
Brush/Grub Stockpile	

PEARL QUEEN PERLITE CORPORATION
P.O. Box 490
Milford, Utah 84751
Prepared By: DANIEL GATTEN,
PROJECT COORDINATOR
February 10, 1997



KEYBANK NATIONAL ASSOCIATION
SALT LAKE CITY, UTAH

ISSUE DATE: JUNE 10, 1997
IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER [REDACTED]

APPLICANT
PEARL QUEEN PERLITE CORPORATION
P.O. BOX 490
MILFORD, UT 84751

BENEFICIARY
UTAH DIVISION OF OIL, GAS & MINING
1594 WEST NO. TEMPLE, SUITE 1210
SALT LAKE CITY, UT 84114-5801

AMOUNT: USD36,300.00
Thirty Six Thousand Three Hundred
US Dollars Only

EXPIRATION: JUNE 30, 1998
AT THE COUNTERS OF KEYBANK
NATIONAL ASSOCIATION
INTERNATIONAL DIVISION
700 FIFTH AVENUE, 53RD FLOOR
SEATTLE, WASHINGTON 98104

*This LOC
Released 3/9/00
Returned to
operator - JB*

We hereby issue our Irrevocable Standby Letter of Credit number [REDACTED] for USD36,300.00 (Thirty Six Thousand Three Hundred US Dollars Only). Credit is available with us by payment of draft(s) drawn at sight on KeyBank National Association, Salt Lake City, Utah bearing this letter of credit number and accompanied by the documents detailed herein:

1. Beneficiary's statement purportedly signed by an authorized individual of Utah Division of Oil, Gas & Mining certifying "We hereby certify that Pearl Queen Perlite Corporation has failed to honor their contractual agreement dated July 1, 1997 between Pearl Queen Perlite Corporation and Utah Division of Oil, Gas & Mining and that payment has not been made and is thirty (30) days past due".
2. The original of this Letter of Credit and any subsequent amendments.

SPECIAL CONDITIONS:
Partial drawings are permitted.

All bank charges other than those of KeyBank are for the beneficiary's account.

It is a condition of this Letter of Credit that it shall be automatically extended for additional periods of one year from the above stated expiry date or any future expiry date unless at least ninety (90) days prior to such date we notify you in writing by any courier service that we have elected not to renew this Letter of Credit for such additional period.

We hereby engage with the drawers of drafts drawn under and in compliance with the terms of this Credit that the same shall be duly honored on due presentation and delivery of documents as specified to KeyBank National Association, International Division, 700 Fifth Avenue, 53rd Floor, Seattle, Washington 98104 on or before the expiration date.

Continued on page two which forms an integral part of this Letter of Credit Number [REDACTED].

CA-11



This is page two which forms an integral part of this Letter of Credit

This credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication Number 500.

Please direct any inquiries with regard to this Letter of Credit to KeyBank National Association, International Division, 700 Fifth Avenue, 53rd Floor, Seattle, Washington 98104, (206) 684-6458.

Carla L. Caldwell

Authorized Signature

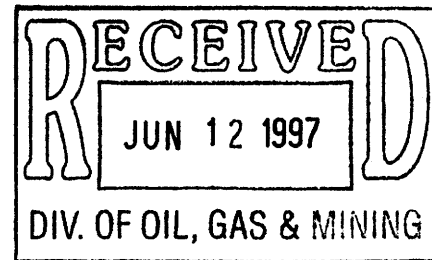
Sharonne Gruders

Authorized Signature



KEYBANK NATIONAL ASSOCIATION
SALT LAKE CITY, UTAH

DATE: JUNE 11, 1997
AMENDMENT NUMBER (ONE) 1
IRREVOCABLE STANDBY LETTER OF CREDIT ~~XXXXXXXXXX~~



APPLICANT:
PEARL QUEEN PERLITE CORPORATION
P.O. BOX 490
MILFORD, UT 84751

BENEFICIARY:
UTAH DIVISION OF OIL, GAS & MINING
1594 WEST NO. TEMPLE, SUITE 1210
SALT LAKE CITY, UT 84114-5801

*LoC
released
3-9-00*

The above mentioned letter of credit is amended as follows:

1. DELETE:

This credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication Number 500.

2. ADD:

This Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1993 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah law and the UCP, Utah law shall govern.

All other terms and conditions remain unchanged.

This is the operative instrument which forms an integral part of the Letter of Credit ~~XXXXXXXXXX~~ and must be attached thereto.

Carla L. Caird

Authorized Signature

Deonica M. Woodall

Authorized Signature



William R. Wilson
President

Basin Perlite Company
1776 Lincoln Street · Suite 900
Denver, Colorado 80203
(303) 863-3922 Phone
(303) 863-1736 Fax
Email bill@ewrx.com



Timothy L. Hall
Vice President, Perlite Operations

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(888) 387-2100 Toll Free
Email timhall@color-country.net